

United States Senate

WASHINGTON, DC 20510

July 12, 2010

Commissioner Douglas H. Shulman
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224-0001

Dear Commissioner Shulman:

As the Administration moves forward with implementation of the *Patient Protection and Affordable Care Act*, we are seriously concerned about a provision that may negatively impact the day-to-day operations of American businesses, especially small businesses. The new law expands business tax-reporting requirements for purchases valued at \$600 or more. As you know, longstanding law applies Form 1099 reporting requirements to the value of *services* purchased, but the new law expands this also to *goods* purchased. In addition, the new law clarifies reporting requirements apply to payments made to corporations, not just small contractors or vendors.

We voted for health reform in part because of the benefits to small business owners in this country, including tax credits to help them afford health coverage for employees and the creation of a business-friendly health exchange so they can shop for, compare, and find affordable health plans. We also support the law's exemption from employer responsibility requirements for businesses with fewer than 50 workers.

We appreciate the intent of the 1099 provision to level the playing field. In this age of economic uncertainty, it is fundamentally unfair that some Americans pay taxes they legally owe while others do not. This unfairness skews the ability of compliant taxpayers to compete with noncompliant taxpayers. We also understand the projected \$17 billion in expected revenues from otherwise unpaid taxes from 2012 through 2020 will help pay for health insurance reform.

However, the new requirements may place a hardship on small businesses by creating an extra paperwork burden. Not only will a 1099 form be necessary for millions of new transactions, the stricter requirements force business owners to collect taxpayer identification information from vendors, contractors, and other companies.

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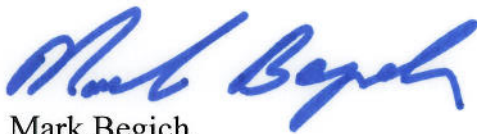
Prior to implementation of this provision, your agency should consider ways in which existing 1099 reporting compliance could be improved. Please share with us the *current* compliance rate on Form 1099 reporting for services purchased. The agency should consider whether there are better ways to structure this reporting requirement and narrow our nation's \$345 billion tax gap.

We want health reform to work for America's small businesses – not burden them. We understand that the IRS has an open comment period to welcome ways in which this provision could be implemented while “minimizing burden and avoiding duplication” for businesses.

We insist that the IRS develop ways in which small businesses can reduce expected paperwork from this requirement – possibly through consolidating existing forms, for example – and that the IRS report its proposed solutions to the Senate Committee on Small Business and Entrepreneurship prior to implementation of the new law.

Thank you for your attention to this matter. Please feel free to contact us if you have questions or comments.

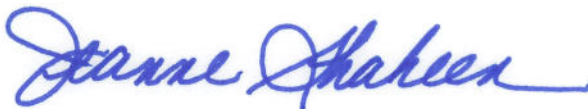
Sincerely,



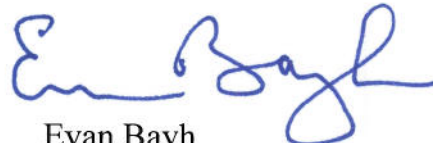
Mark Begich
United States Senator



Ben Nelson
United States Senator



Jeanne Shaheen
United States Senator



Evan Bayh
United States Senator

cc: Senator Harry Reid, Senate Majority Leader
Senator Max Baucus, Chairman, Senate Finance Committee
Nancy-Ann DeParle, Director, White House Office of Health Reform